

Oil rises to 2007 highs at \$66.70 in Asian trade

AFP, Singapore

Oil prices rose to fresh 2007 highs in Asian trade Friday as tensions over Iran's detention of British military personnel increased further, dealers said.

At 2:40 pm (0640 GMT) New York's main oil futures contract, light sweet crude for delivery in May, was up 67 cents to 66.70 dollars a barrel from 66.03 dollars in late US trades Thursday, the highest price since early September.

Brent North Sea crude for May was up 70 cents at 68.58 dollars.

Geopolitical risk in Iran, the world's fourth biggest oil producer, remains the key factor applying upward pressure on crude futures, analysts said.

"Iran is more aggressive in handling the issue of the detained sailors. They won't beg. They're making a pretty tough stance,

driving up the possibility of military conflict in the Gulf," said CFC Seymour senior investment strategist Dariusz Kowalczyk in Hong Kong.

He said the market was pricing in the possibility of further risks over the weekend.

"The market will continue to reassess the risk to supply ... the potential for conflict and the disruption of oil supply is real because Iran is directly involved and oil could hit record highs if anything happens," he said.

"The market is just very nervous so any sort of headline or rumour that suggests that the situation between the West and Iran -- between Britain and Iran -- might be getting worse is going to have a bullish impact on prices," Bache Financial trader Tony Machacek said in London hours.

Oil prices are being supported also by Iran's refusal to bow to

international pressure over its disputed nuclear programme.

Simon Hayley, senior international economist at Capital Economics, said the premium was currently at about 5.0 dollars a barrel. With the premium stripped out, and if the market reacted solely to oil's demand-supply balance, prices would likely be trading at between 60 and 62 dollars.

Despite this week's spike in crude, prices remain a long way off record highs of above 78 dollars last year.

The 15 Royal Navy sailors and marines were detained in the Gulf last Friday, leading Britain to freeze ties with the Islamic republic.

Prices rose even higher on Thursday after Iran decided against releasing the only female sailor held among the group.

Dollar slips in Asia on Iran row

AFP, Tokyo

The dollar lost some ground in Asian trade Friday as market participants remained vigilant amid growing tensions between Iran and Britain and uncertain prospects for the US economy, dealers said.

They said that the market was largely unaffected by a series of indicators on the Japanese economy, including the first fall in consumer prices for 10 months, while an upgrade to US economic growth had a muted impact.

The dollar dipped to 117.87 yen in Tokyo afternoon trade from 118.02 yen in New York late Thursday.

The euro gained to 1.3346 dollars after 1.3331 but eased to 157.30 yen from 157.43 yen.

"Players remain cautious as there are many factors we have to watch closely such as the Iran issue and the US economic situation," said Masaki Fukui, senior market economist at Mizuho Corporate Bank's forex division.

The week-old standoff between Britain and Iran over 15 British naval detainees in the northern Gulf has sent oil prices to a six-month high.

The dollar turned in a mixed performance in US trade on Thursday as an upward revision to estimates of US fourth quarter growth failed to ease market concerns about economic weakness.

The US economy expanded at a 2.5 percent annualised pace in the fourth quarter of 2006, a bit faster than earlier estimates, the Commerce Department said.

But analysts cautioned that more tepid growth was likely ahead as the economy takes a hit from a slumping real estate market.

Japan released a mixed set of economic indicators.

The core consumer price index (CPI) fell 0.1 percent in February from a year earlier, the first fall in 10 months, while industrial output was down 0.2 percent.

"But a continued fall in the CPI is unlikely, particularly as oil prices are back on a rising track," Fukui said.

Meanwhile average monthly household spending rose 1.3 percent in February from a year earlier, while the jobless rate remained unchanged at 4.0 percent.



HSBC Bangladesh and Square Hospitals Ltd signed a corporate agreement on Thursday in Dhaka. Under the deal, employees of the bank and their dependants will get healthcare services including health check-up, consultancy and diagnostic services from the hospital at special rates. Sanawar Hossain, director (Medical Services) of the hospital, and Adnan Wahed, chief operating officer of the bank, signed the deal on behalf of their sides.



PHOTO: HEIDELBERGCEMENT

The annual dealers' night of RubyCement, a cement brand of HeidelbergCement Bangladesh Ltd, was held recently in Chittagong. Ramakanta Bhattacharjee, director (Marketing, Sales & IT) of HeidelbergCement Bangladesh, among others, was present at the function.

US economy should slow in 2007: Rato

AFP, The Hague

US economic momentum is likely to decline this year to a pace slower than the 2.9 percent forecast in September by the International Monetary Fund, the head of the IMF said Thursday.

"We'll probably see that number of September ... reduced, but not in a significant way," Rato said here, where he met with Dutch government officials.

He said problems plaguing the US residential housing market, along with concerns about mortgage foreclosures, could have an impact on US consumer spending.

But he added that the negative effect would be offset by strong

household earnings and a healthy labor market.

The US economy, he predicted, should therefore experience a "soft landing" this year and "a certain recovery" in 2008.

In Washington Thursday the Commerce Department said the economy expanded at a 2.5 percent annualized pace in the fourth quarter of 2006, a bit faster than earlier estimates.

The revision for gross domestic product (GDP) was up from a 2.2 percent estimate released a month earlier.

The latest data meant growth for the full year 2006 was 3.3 percent, unchanged the estimate last month.



PHOTO: STAR

Transcom Electronics Ltd has organised a prize distribution ceremony for the year 2007 for the retailers of its Philips and Transtec brand lighting products of Nawabpur area in Dhaka. Abdul Kader Khan, head of Distribution, Sales & Marketing of the company, Md Badaruddin, area in-charge of Direct Trade, and Azharul Islam, manager of Supply Chain, among others, were present at the function held on Thursday in the capital.

Weekly Currency Roundup

March 25-29, 2007

Local FX Market
US dollar remained stable against the Bangladeshi taka last week on back of comfortable supply. The USD fell slightly against the Taka.

Money Market
Overnight money market was steady throughout the week. The call money rate remained unchanged throughout the week and ranged between 6.25 and 6.80 percent.

On March 23, the dollar firmed against the euro because of a surprise jump in US existing-home sales. The US report, which showed sales of previously owned homes beat forecasts, eased fears about the health of the housing sector. The data also helped the dollar wipe out losses suffered earlier this week when the Federal Reserve adopted a more neutral monetary policy stance at its latest meeting, suggesting to some investors that a rate cut was imminent. The euro was trading at \$1.3288, down 0.3 percent on the day. It hit a two-year high of \$1.3411 on Thursday following the Fed's policy shift. The dollar last changed hands at 118.07 yen, unchanged from late Thursday, and ended the week up 1.5 percent against the Japanese currency.

On Tuesday, the euro rose against the dollar and yen after a stronger-than-expected Ifo German business climate survey. This added to expectations that the European Central Bank will raise interest rates this year. The ECB is expected to raise interest rates to 4 percent this year from the current 3.75 percent. The dollar steadied, having fallen broadly on Monday after data showed US sales of new homes fell in February to the lowest level since June 2000, reigniting concern the slowing US housing market has yet to stabilise. Investors are expecting the Fed to start cutting interest rates from the current 5.25 percent as soon as June to steer the economy into a soft landing. The euro had risen to the day's high of \$1.3354, up 0.1 percent. It was also up 0.1 percent at 157.71 yen. The dollar was broadly steady at 118.14 yen. The Canadian dollar was the major gainer, rising half a percent against the dollar towards a recent three-month high.

The yen rallied and high-yielding currencies fell on Wednesday as investors became more risk averse after being rattled by a rumour of conflict between the United States and Iran. The geopolitical jitters prompted a sharp spike in the oil price and falls in equities. But despite geopolitical jitters, yield differentials point to further yen weakness given Japan's interest rates of just 0.5 percent. Nevertheless, FX investors ditched risky carry trades of borrowing cheaply in the low-yielding yen to fund purchases of higher return units such as the Australian and New Zealand dollar. Any profits from such positions can be quickly eroded by an appreciation of the funding currency. The dollar hit a one-week low at 117.10 yen, before recovering a little to stand 0.5 percent down on the day at 117.31 yen. The euro was down 0.4 percent at 156.63 yen, retreating from Tuesday's one-month high of 158.03. The high-yielding Australian and New Zealand dollars fell 0.5 and 0.7 percent versus the greenback, respectively. The euro was down 0.1 percent at \$1.3334.

The yen fell across the board on Thursday, losing ground against all the high-yielding currencies. A rise in equity markets and testimony from Federal Reserve Chairman Ben Bernanke helped soothe risk aversion. Bernanke, speaking on Wednesday, acknowledged risks to the economy from the US housing market. However he also stressed on inflationary pressures -- a message that was taken by markets to mean that the Fed is not ready to cut interest rates yet. As a result investors were prompted to re-enter risky carry trades of borrowing the low-yielding yen to fund purchases of higher return units like the Australian and New Zealand dollars, reversing Wednesday's FX market moves. Abating risk aversion knocked the yen around half a percent to around 117.38 per dollar and 156.42. The New Zealand dollar -- which enjoys the highest interest rates in the industrialised world at 7.5 percent compared to just 0.5 percent in Japan -- climbed 1 percent to 83.66 yen, erasing part of the previous day's 1.8 percent slide. The euro held steady at \$1.3325. On a separate note, oil prices, which had been propelled above \$68 a barrel earlier this week amid geopolitical tensions over Iran, stabilised at around \$64.

-- Standard Chartered Bank

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